Headquarters U.S. Air Force

Integrity - Service - Excellence

Overview of the Housing Privatization Execution Process

Module 1

U.S. AIR FORCE

U.S. AIR FORCE

Overview

- **Learning Objective: Understand the overall housing privatization execution process**
- **Topics to be covered:**
  - **Overview of the entire housing privatization execution process**
  - **Project life cycle**
  - **Role of the Privatization Support Contractor (PSC)**
  - **Organizational roles and relationships**
  - **Family Housing Master Plan (FHMP)**
  - **Program guidance**
  - **Relationship between AFRPA and the Air Force Center for Environmental Excellence (AFCEE)**
  - **Timing of AFRPA's support to housing privatization**

Housing Privatization Overview

U.S. AIR FORCE

Background

- The goal of the Military Housing Privatization Initiative (MHPI) is to provide a private sector business alternative to traditional military housing construction options. Privatization provides solutions to both short-term and long-term housing needs by bringing existing housing units up to modern standards, reducing the time required to provide military members with quality, affordable housing, and replacing the Air Force's aging inventory of housing units.

- The objective of this initiative is to identify, define, and execute all housing privatization projects that both the private sector and the federal government determine to be economically feasible. The Air Force aims to provide military families with access to quality housing that is safe, affordable, well maintained, and located in desirable communities.

U.S. AIR FORCE

Current Situation

- **By 2004, the Air Force's housing inventory will be 104,000 units**
  - **40,000 of those will be inadequate**
    - **Family Housing Master Plan (FHMP) focuses on fixing the "worst first"**
    - **FHMP is synchronized with mission changes, A-76, etc. through Fiscal Year 2010**
  - **Air Force and the Office of the Secretary of Defense's (OSD's) goal is to eliminate all inadequate units by 2007**
    - **The 2002 FHMP is programming up to 15 more installations**
    - **Reexamining severability to accelerate 2007 goal**

U.S. AIR FORCE

Current Situation (cont'd)

- **Consistent with OSD's 3-pronged strategy, the Air Force will provide standard housing for our members and their families through**
  - **Military Construction (MILCON)**
  - **Privatization where severable and economically feasible**
  - **Increasing Basic Allowance for Housing (BAH) for military members to live adequately in local communities**

U.S. AIR FORCE

Benefits

- **Affordable Housing—Referral Tenants (accompanied military members authorized to live in military family housing) should not experience out-of-pocket expenses beyond their BAH.**
- **Close Proximity to Work and Other Base Facilities—Privatized housing is normally located on or near the base, which provides Referral Tenants with shorter commute times and easier access to base facilities (e.g., base exchange and commissary).**
- **Added Security—A distinct advantage for privatized housing is gated access and increased lighting.**
- **First Priority and No Deposits—Referral Tenants have first priority to privatized housing and will not pay any security and pet deposits.**
- **"In-to-Pocket" Savings—Referral Tenants will see cost savings if energy usage costs are less than their utility allowance.**

U.S. AIR FORCE

Benefits (cont'd)

- **Recreational Facilities—Community centers, swimming pools, and other recreational features may be provided within the privatized housing development.**
- **Profit Sharing—Long-term profits are shared between the Project Owner and DoD.**
- **Comparable Construction Standards—Housing privatization construction standards and housing sizes will be comparable to local standards.**
- **Long-term Partnership—50-year arrangement between the Project Owner and the Air Force to provide quality, safe, and affordable housing for military families.**

U.S. AIR FORCE

Ideal Housing Privatization Project

- No federal loans or subsidies
- No base closure or drawdown guarantees
- Issuance of taxable or tax-exempt bonds to finance
- All new housing to eliminate base deficits
- DoD retains use of property, up to 50 years
- Housing with military priority and no out-of-pocket costs
- Long term profits flow to developer and DoD
- If necessary, use of existing housing to create a revenue stream until new housing is completed
- If necessary, use MILCON to buy down the deal so BAH is sufficient to pay rents (subsidized rent)

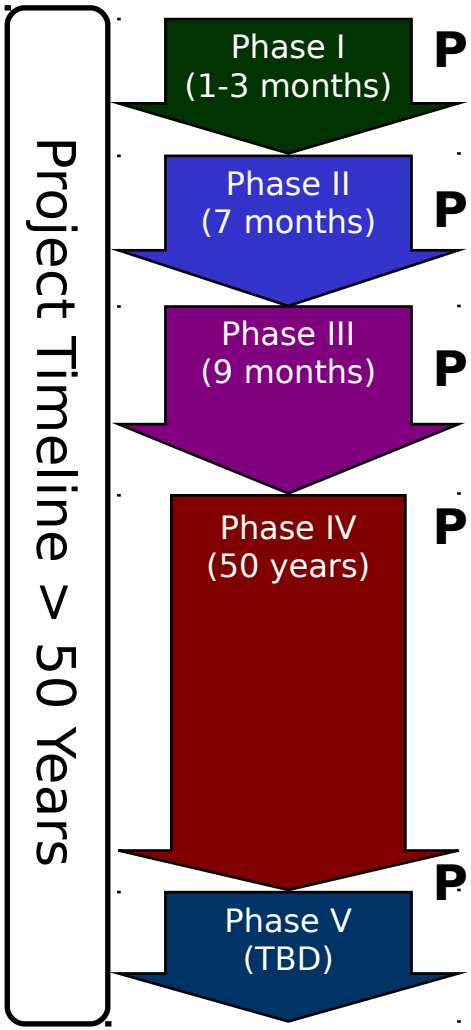
U.S. AIR FORCE

Awarded Privatization Projects

Housing Privatization Project Life Cycle

U.S. AIR FORCE

Five Phases Life Cycle At-A-Glance



Phase I: Project Identification

- **Goal: Identify project requirements and potential for privatization; initiate project execution.**

Phase II: Project Definition

- **Goal: Refine project alternatives; obtain approval of project concept and Request for Proposal (RFP).**

Phase III: Project Acquisition

- **Goal: Solicit and select best value project owner and close the transaction.**

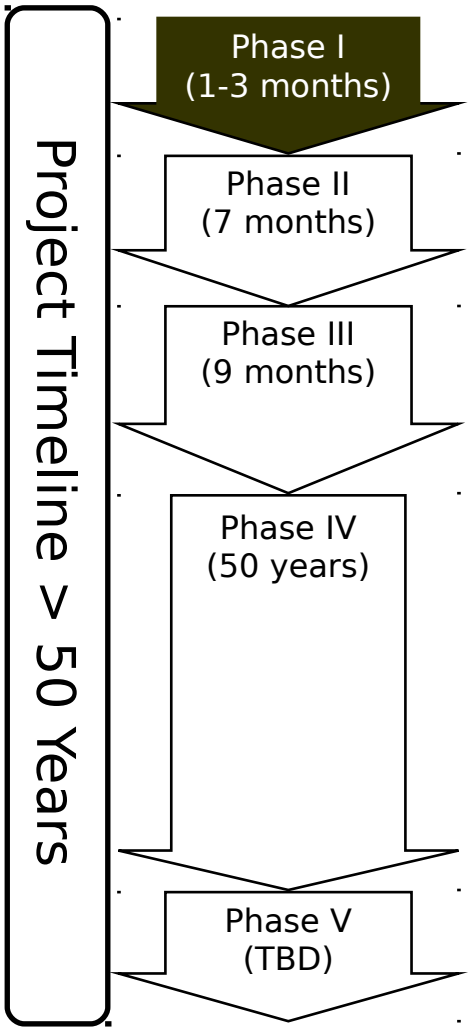
Phase IV: Project Management

- **Goal: Oversee postclosing activities of all parties to ensure that all contractual obligations are met or exceeded.**

Phase V: Project Closeout

- **Goal: Determine continuing requirements and dispose of or acquire assets as appropriate.**

Phase I At-A-Glance



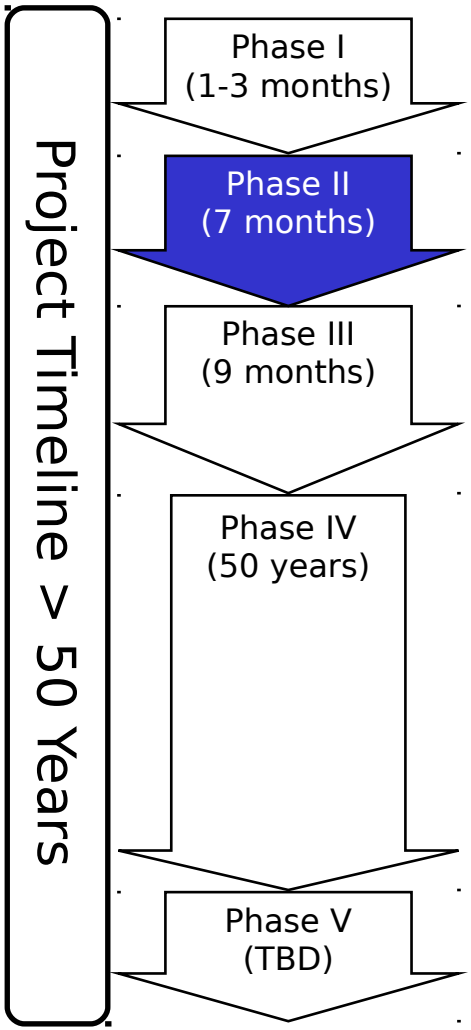
Phase I: Project Identification

- **Goal: Identify project requirements and potential for privatization; initiate project execution.**

Activities/Products:

- **Prepare housing requirements and market analysis (HRMA)**
- **Develop housing master plan**
- **Affirm programmed concepts**
- **Assign Project Development Team (PDT) / Acquisition Support Team (AST) members**
- **Prepare and approve Project Management Plan**
- **Initiate Privatization Support Contractor (PSC) support**
- **Conduct site orientation visit**
- **Finalize execution plan**

Phase II At-A-Glance



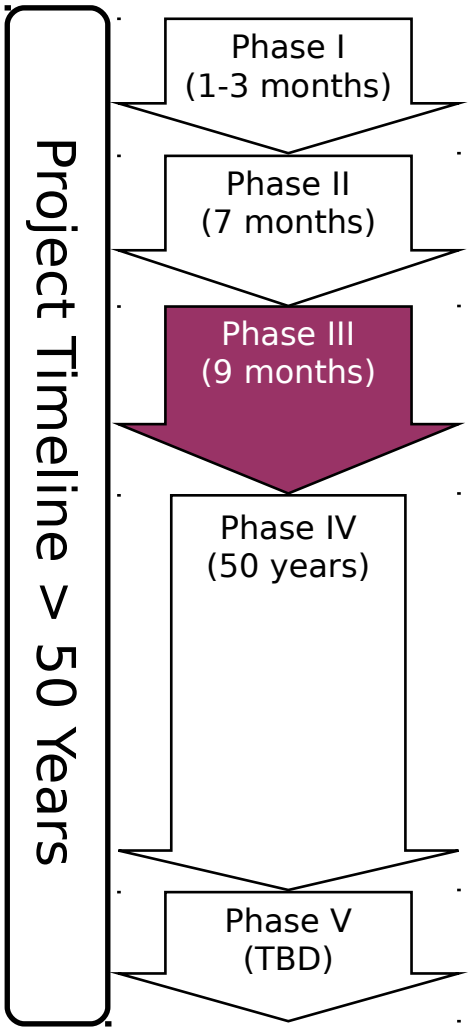
Phase II: Project Definition

- **Goal: Refine project alternatives; obtain approval of project concept and Request for Proposal (RFP).**

Activities/Products:

- **Conduct four PDT Workshops**
- **Approve project concept**
- **Prepare Office of Management and Budget scoring report**
- **Develop RFP**
- **Approve RFP**

Phase III At-A-Glance



Phase III: Project Acquisition

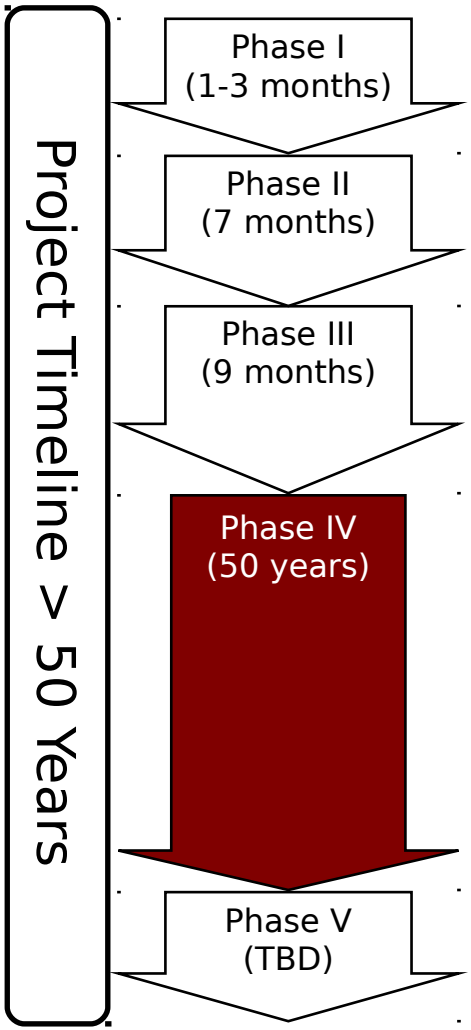
- **Goal: Solicit and select best value project owner and close the transaction.**

Activities/Products:

- **Conduct industry forum**
- **Finalize and issue RFP**
- **Evaluate proposals**
- **Approve AST recommendation**
- **Conduct transaction closing**

U.S. AIR FORCE

Phase IV At-A-Glance



Phase IV: Project Management

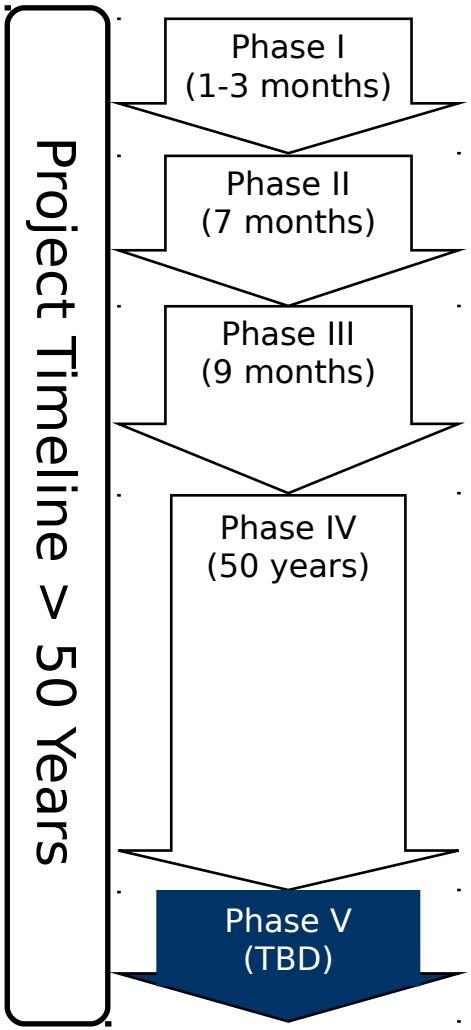
- **Goal: Oversee postclosing activities of all parties to ensure that all contractual obligations are met or exceeded.**

Activities/Products:

- **Oversee maintenance, operations, and management**
- **Oversee financial trending, benchmarking, and budgeting**
- **Communicate best practices and process improvements**
- **Conduct management review committee meetings**
- **Identify issues, develop solutions, and resolve disputes**

U.S. AIR FORCE

Phase V At-A-Glance



Phase V: Project Closeout

- **Goal: Determine continuing requirements and dispose of or acquire assets as appropriate.**

Activities/Products:

- **Plan long-term requirements**
- **Manage asset disposition or acquisition**

Role of the PSC

U.S. AIR FORCE

Background

- **Umbrella contract consists of five competitively selected PSC teams with private sector financial and real estate expertise**
- **Air Force competitively selects one PSC team (from the umbrella contract group) to work individual delivery orders**
- **PSC tasked to**
  - **Match Air Force family housing requirements with real estate market opportunities**
  - **Maximize developer creativity**
  - **Streamline the developer selection process**
  - **Present analysis of offers**

U.S. AIR FORCE

Responsibilities

- Facilitates meetings with installation
- Conducts business perspective process and product review
  - Recommends best business practices to achieve goal
  - Provides market perspective of options and alternatives
  - Engages industry for discussion and feedback
- Finalizes solicitation of RFP
- Develops interest with industry
- Issues solicitation of RFP
- Facilitates discussions with industry

U.S. AIR FORCE

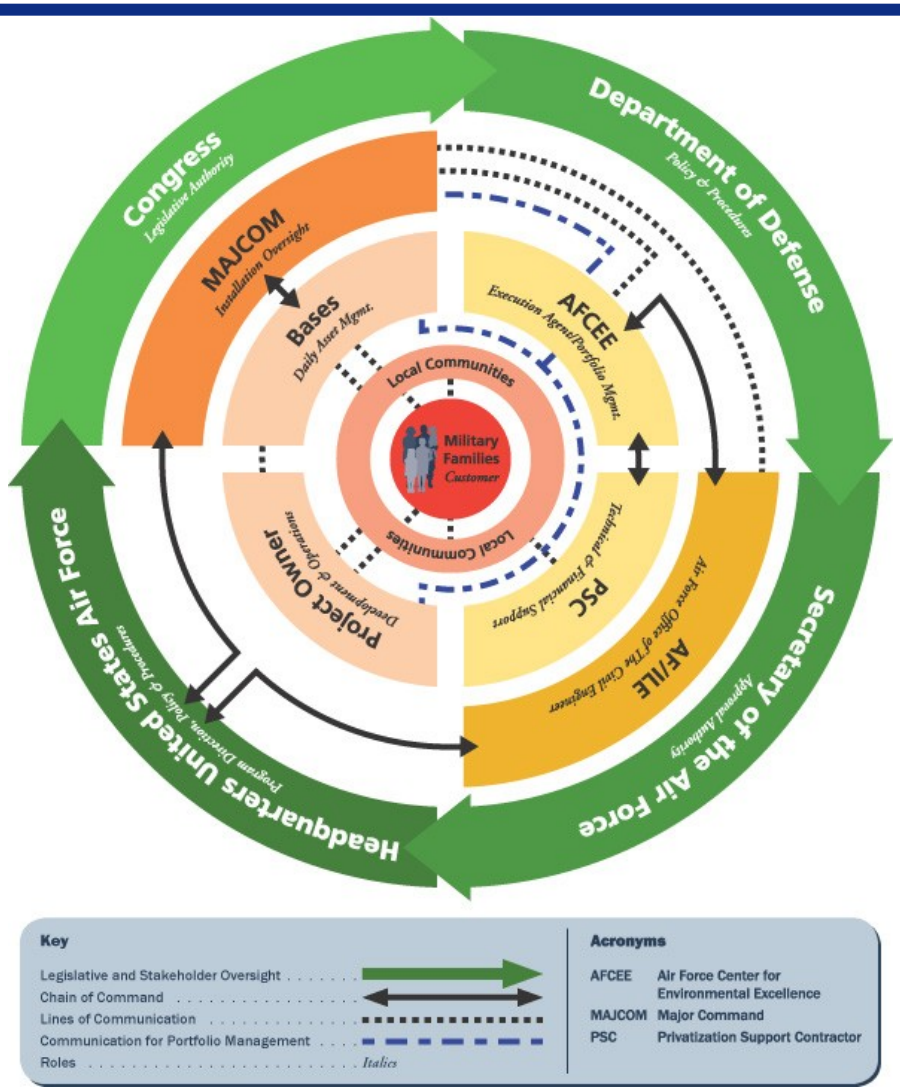
Responsibilities (cont'd)

- Analyzes all proposals in accordance with government requirements
- Presents, justifies, and explains results of evaluation
- Facilitates negotiations to finalize legal, financial, and business terms
- Assists government in transaction closing
  - Reads, reviews, and advises on all documents
- Facilitates dispute resolution process
- Assists in providing community support
- Facilitates partnering sessions

Organizational Roles and Relationships

U.S. AIR FORCE

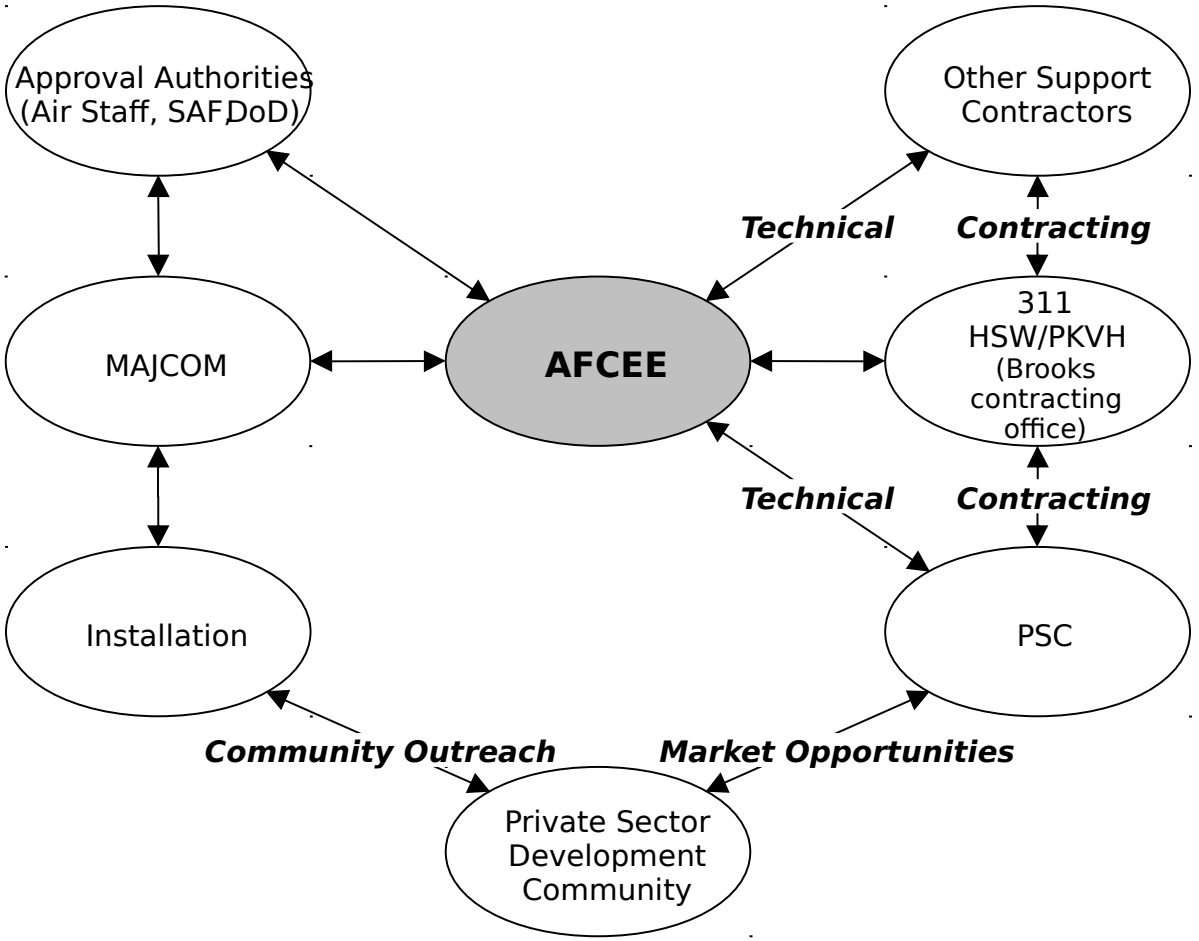
Stakeholders (Partners in Privatization)



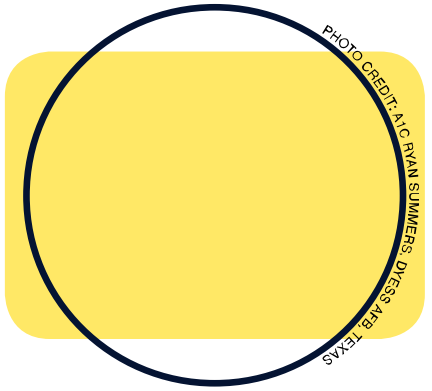
U.S. AIR FORCE

Formal Lines of Communication

Requirements/Approvals **Contracts/Support**

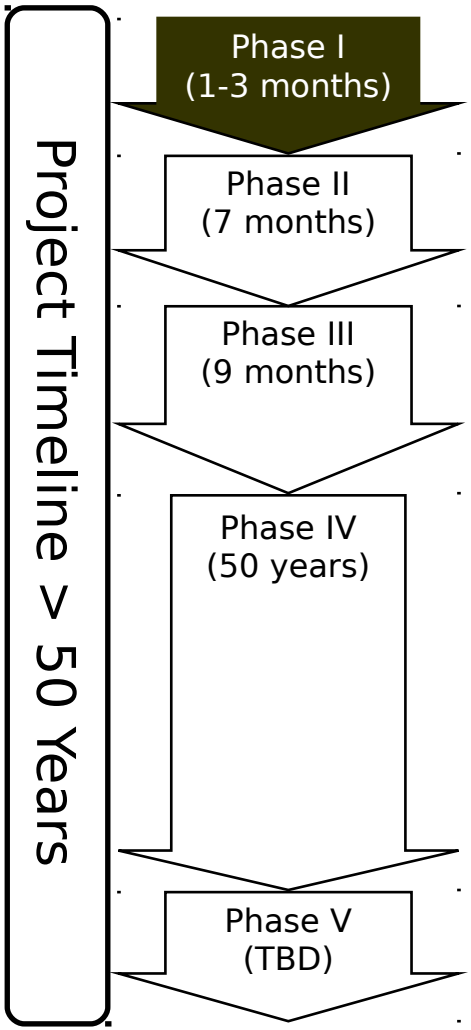


Family Housing Master Plan



Phase I At-A-Glance

U.S. AIR FORCE



Phase I: Project Identification

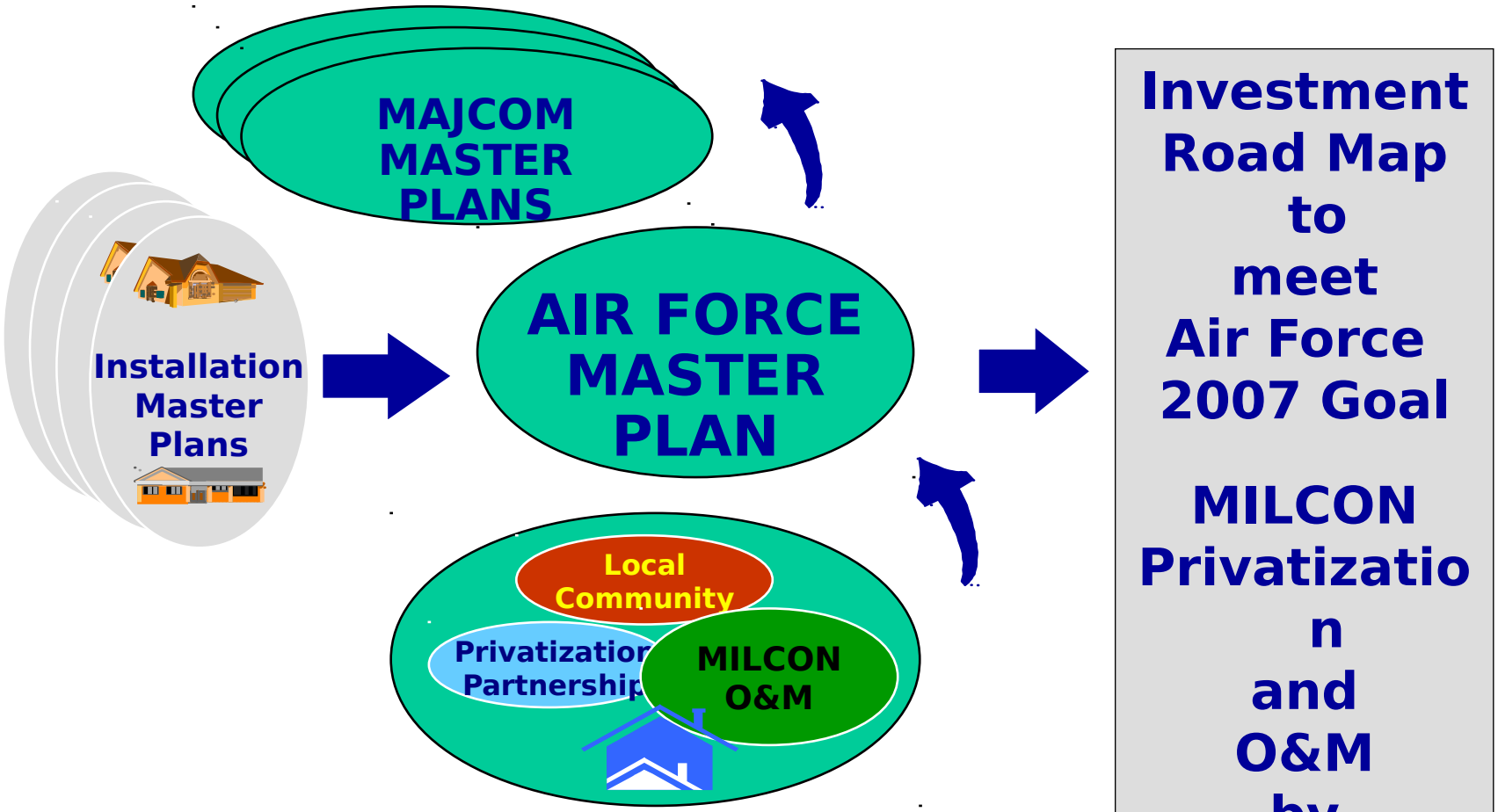
- **Goal: Identify project requirements and potential for privatization; initiate project execution.**

Activities/Products:

- **Prepare housing requirements and market analysis (HRMA)**
- **Develop housing master plan**
- **Affirm programmed concepts**
- **Assign Project Development Team (PDT) / Acquisition Support Team (AST) members**
- **Prepare and approve Project Management Plan**
- **Initiate Privatization Support Contractor (PSC) support**
- **Conduct site orientation visit**
- **Finalize execution plan**

Emphasis for this training module

Planning Tools



U.S. AIR FORCE

Installation FHMP Components

Installation Family Housing Master Plan

Privatization Prediction	**Housing Community Profile (HCP)**	**Real Property Maintenance (RPM) Model**
O&M "Must-Pays"	**Condition Assessment**	

Housing Requirements and Market Analysis (HRMA)

Housing Privatization Program Guidance

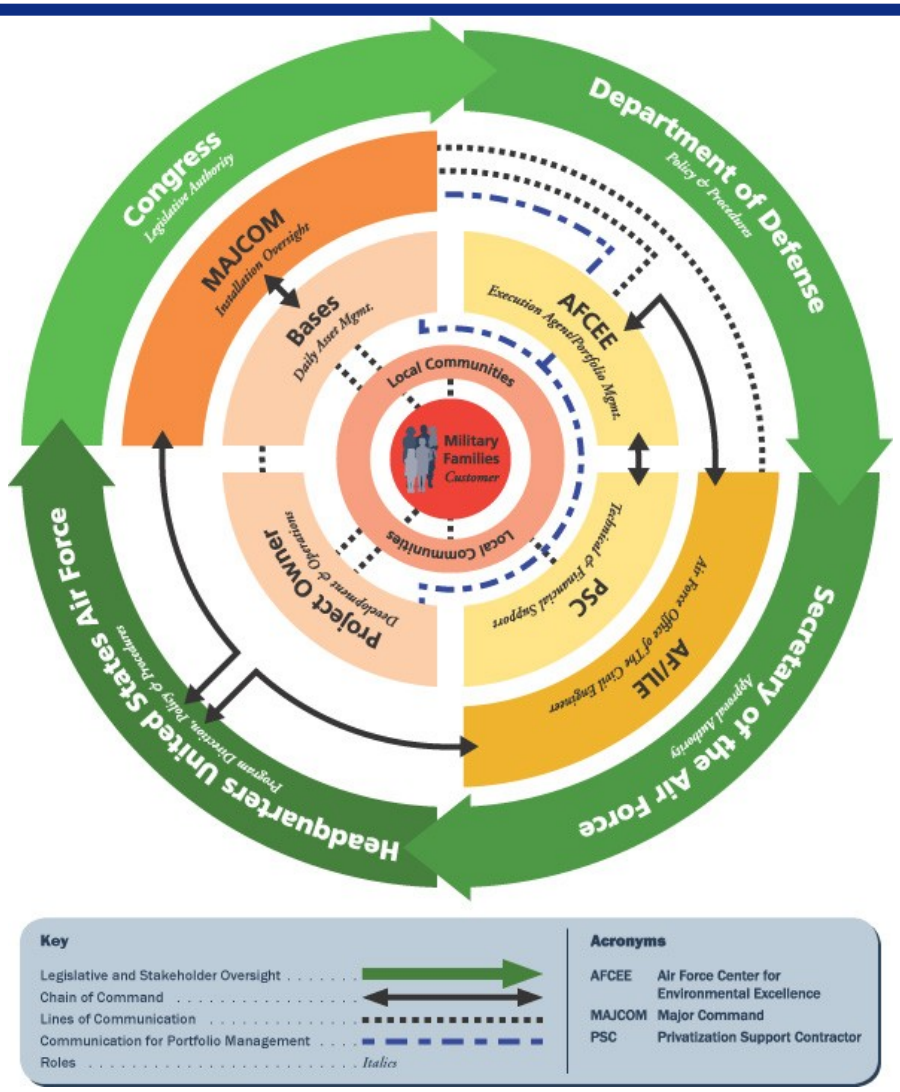
U.S. AIR FORCE

Housing Privatization Program Guidance

- **Privatize where housing meets Air Force severability criteria and project is economically feasible**
  - **Housing must be severable from the installation**
  - **Housing must be within 60-minute commute**
  - **Must get at least $3 construction for each $1 Air Force cost (leverage of 3:1)**
  - **Life cycle cost must favor privatization over MILCON**
  - **Privatization is modeled with financial participation limits**
    - **Maximum developers rate of return on equity investment: approximately 15%**
    - **Minimum developer equity investment: 5%**
    - **Maximum government participation: 80%**
    - **Maximum government loan: <50% of total loans**

Relationship between AFRPA and AFCEE

Stakeholders (Partners in Privatization)



U.S. AIR FORCE

Timing of AFRPA's Support to Housing Privatization

Advisory Role for Individual Projects

- AFRPA's support for individual projects
  - Starts at Industry Forum
  - Ends after transaction closing documents are recorded and distributed